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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Review of its Safety Model Assessment Proceeding Pursuant to Decision 14-12-025.

Application 15-05-002
(Filed May 1, 2015)

And Related Matters.

Application 15-05-003
Application 15-05-004
Application 15-05-005

**ADMINISTRATIVE LAW JUDGE'S RULING
NOTICING WORKSHOP, ENTERING SECOND REVISED STAFF PROPOSAL
INTO THE RECORD AND SOLICITING COMMENTS**

Following up an informal e-mail to parties on August 17, 2018, this formal ruling formally notices an Energy Division workshop on the Risk Spending Accountability Report for the electric and gas utilities on September 4, 2018 from 10:00 a.m. – 4:00 p.m. in the Commission Auditorium. The workshop is in response to parties' comments on the Revised Staff Proposal for Standardized Reporting and Outline requested by the Administrative Law Judge (ALJ) Ruling of May 22, 2018 that entered the proposal into the record. The workshop will also include a discussion of compliance with the Commission Public Utilities Code Section 591:

591 (a) The commission shall require an electrical or gas corporation to annually notify the commission, as part of an ongoing proceeding or in a report otherwise required to be submitted to the commission, of each time since that notification was last provided that capital or expense revenue

authorized by the commission for maintenance, safety, or reliability was redirect the electrical or gas corporation to other purposes.

591 (b) The commission shall ensure that the notification provided by each electrical or gas corporation is also made available in a timely fashion to the Office of the Safety Advocate, Public Advocate's Office of the Public Utilities Commission, and parties on the service list of any relevant proceeding.¹

The attached guidance and Second Revised Staff Proposal in Appendix 1 entitled "Energy Division Guidance for the Standardized Reporting and Outline of the Risk Spending Accountability Report," (Guidance Document) dated August 31, 2018 [ZM1] is entered into the record of this proceeding and will be discussed at the workshop. Attachment 1 to the Guidance Document addresses large utilities and small utilities reporting requirements are discussed in Attachment 2. Proposals for both large and small utilities will be discussed at the workshop. Appendix 2 contains the final workshop agenda.

If you have questions about this workshop, you may contact Michael Zelazo, Electric Costs, (916) 327-6797, michael.zelazo@cpuc.ca.gov or Kevin Flaherty, Natural Gas, (415) 703-3842, kevin.flaherty@cpuc.ca.gov.

¹ (Added by Stats. 2017, Ch. 284, Sec. 1 (SB 549) Effective January 1, 2018)

IT IS RULED that:

1. The September 4, 2018 workshop is noticed in this proceeding as detailed above.
2. The parties shall file and serve comments on the Second Revised Staff Proposal and September 4, 2018 workshop not later than twenty days after the workshop and shall file and serve reply comments not later than five days after comments are due.

Dated August 31, 2018, at San Francisco, California.

/s/ CATHLEEN A. FOGEL

Cathleen A. Fogel
Administrative Law Judge

APPENDICES

Energy Division Guidance for the
Standardized Reporting and Outline of the
Risk Spending Accountability Report
August 31, 2018

Overview

In an ALJ Ruling on May 22, 2018, the Commission presented the Energy Division's revised staff proposal for the Risk Spending Accountability Report and a summary of changes to its initial proposal presented on February 22, 2018. Commission Decision (D.) 14-12-025 revised the general rate case (GRC) plan and requires the filing of annual Risk Spending Accountability Reports starting in 2020.

In response to comments in the Safety Model Assessment Proceeding (SMAP) as well as to developments in the SMAP, recent legislation, and the need to ensure inclusion of the small and multi-jurisdictional utilities (SMJUs) in the development of the reporting framework, the Energy Division provides this guidance document with a revised staff proposal that discusses the changes since the May 22, 2018 ruling. Staff provides this document, which includes the revised proposal and reporting template(Attachment A) as well as guidance for the SMJUs (Attachment B), to parties to the SMAP as well as the SMJUs in preparation for **a workshop to be held on September 4, 2018 from 10:00 a.m. – 4:00 p.m.** The workshop will provide a forum to discuss this document with staff.

Accepted Changes to the May 22 Revised Proposal

Parties to the SMAP provided helpful comments on how the framework in the May 22 ALJ Ruling could be improved. The following unopposed comments are incorporated into the revised proposal.

- 1) TURN recommended omitting the italicized text in the eighth item on page 3 of the proposal.²

"The IOUs should provide a detailed explanation for why the variance occurred and may include issues such as reprioritization of funds, changes in

² TURN Opening Comments at 1.

internal procedures, new standards, changes in unit costs or replacement/installation scheduling, environmental conditions, governmental mandates, etc.”

TURN’s concern that the language may be misinterpreted was unopposed in reply comments and staff concur. Therefore, the text has been revised with edits for clarity to read:

“For each program selected, the IOUs should provide a detailed explanation why the spending variance occurred.”

This guidance is now identified as Item 6 in the revised staff proposal.

- 2) SCE recommended adding language to the discussion of “Comment 4: Post-Test Years” within the summary of changes since the February 22 workshop to clarify that there may not be an authorized amount available for comparison. The following text is proposed.³

“As an alternative, the utility can propose authorized amounts where the use of the post-test year ratemaking mechanism may not be appropriate.”

SCE explains that the utility “would propose an alternative, and Energy Division could evaluate whether that alternative is reasonable.” SCE’s proposed change was unopposed in reply comments. Staff does not object to SCE’s suggestion to change the discussion in the Summary of Changes but points to the sixth item in the May 22 revised proposal, which reads:

“The IOUs should report authorized spending, actual spending, and the variance between them for the spending programs at the level described above.”

The May 22 revised proposal requires the utilities to report the authorized spending and to provide evidence to support that amount if requested by staff in its review of the report. A post-test year mechanism may not apply to an authorized amount, and in staff’s view, it is the utility’s responsibility to provide the amount authorized by the Commission. Therefore, staff does not see the need for a change to the May 22 revised proposal, but welcomes a discussion of this topic in the upcoming workshop.

Staff proposes to modify the item for clarity as follows:

³ SCE Opening Comments at 3.

“For each program, the IOUs should report the authorized and actual spending and calculate the difference from authorized in dollars and in percent.”

This guidance is now identified as Item 4 in the revised staff proposal.

3) Several parties suggest a change to the fifth item of the revised proposal, which currently reads:

“Total safety spending should be compared (in percent and in dollars) to the total base rate revenue requirement.”

The suggestion is to compare safety spending to the adopted level of expense and capital expenditures.⁴ This proposed change was unopposed in comments and staff does not object to the change. The fifth item is edited for clarity to read:

“The IOUs should provide a comparison, in percent and in dollars, of the spending for programs shown in the Risk Spending Accountability Report to the total authorized and actual spending for expensed and capital programs under CPUC jurisdiction.”

This guidance is now identified as Item 7 in the revised staff proposal.

Energy Division Changes Not Proposed by Parties

1) Staff modifies the fourth item to avoid confusion over separating programs into labor, non-labor and overhead. It currently reads:

“The program spending should be separated into expensed items and direct capital expenditures (i.e. the cost of labor, non-labor, and division overhead).”

Staff finds it unnecessary to require separating programs into labor, non-labor and overhead. The item is edited for clarity to read:

“The IOUs should group capital and expensed programs separately. Items within a program include, for example, direct capital expenditures but exclude items such as corporate overheads and other adjustments.”

This guidance is now identified as Item 3 in the revised staff proposal.

⁴ PG&E Opening Comments at 3, SCE Opening Comments at 4, and SDG&E/SoCalGas Reply Comments at 4

2) Staff edits the last item to elaborate on the direction provided. It currently reads:

“The IOUs should note the effect balancing and memorandum accounts have on the actual and authorized spending.”

The item is revised to read:

“The IOUs should identify the programs subject to a balancing or memorandum account and the effect the account has on the authorized spending. “

This guidance is now identified as Item 8 in the revised staff proposal.

Energy Division Changes in Response to Public Utilities Code Section 591

Public Utilities Code Section 591 was added to the code with the passage of Senate Bill 549 and became effective on January 1, 2018. It reads:

“(a) The commission shall require an electrical or gas corporation to annually notify the commission, as part of an ongoing proceeding or in a report otherwise required to be submitted to the commission, of each time since that notification was last provided that capital or expense revenue authorized by the commission for maintenance, safety, or reliability was redirected by the electrical or gas corporation to other purposes.

(b) The commission shall ensure that the notification provided by each electrical or gas corporation is also made available in a timely fashion to the Office of the Safety Advocate, Public Advocate’s Office of the Public Utilities Commission, and parties on the service list of any relevant proceeding.”

Staff will provide guidance at the workshop for utilities to comply with Public Utilities Code Section 591 within the framework for the Risk Spending Accountability Report.

Suggested Workshop Topics

The workshop will discuss the revised proposal and will address other issues raised by the parties. A suggested list of workshop topics is provided below:

1) General scope of “programs” to be included in the Risk Spending Accountability Report

Several parties commented on the first item of the revised proposal, which reads:

“The IOUs should provide a list of all spending programs that affect safety (i.e., score within the safety dimension of their current risk-informed decision-making framework).”

The comments are generally concerned with what types of activities should be included in the scope of the reporting requirements and the lack of clarity regarding programs that are “safety-related.” The parties have since entered into a settlement agreement that defines a “program” that is subject to a supplemental risk analysis as:

- a CPUC jurisdictional effort with Electric Operations or Gas Operations consisting of projects, activities, and/or functions with a defined scope that is intended to meet a specific objective or outcome;⁵
- one that is justified primarily on the basis of reducing a safety or reliability risk;⁶ and
- one that is associated with the portion of the electric system under CPUC jurisdiction (“Electric Operations”) or with the natural gas transmission or distribution pipeline system or storage facilities (“Gas Operations”).⁷

Staff appreciates this definition provided by settling parties, and we generally accept it for the reporting framework, subject to further discussion at the workshop. Staff does propose, however, to modify the first item in the proposal to read,

“The IOUs should develop a list of programs that include utility activities relating to safety or reliability. A program is defined as a set of projects, activities, and/or functions with a defined scope that is intended to meet a specific objective or outcome.”

2) Scope of programs specific to each utility

The second item in the May 22 revised proposal is further clarified by including the information discussed in the Settlement Agreement.⁸ It currently reads:

⁵ Agreement of Settling Parties, Step 1A – Building a Multi-Attribute Value Function table, No. 28(5) at A-15 – A-16

⁶ *Ibid*, No. 28(1)(b) at A-14

⁷ *Ibid*, No. 28(1)(c) at A-14

“The spending programs should report on each “program” that includes risk mitigation (or control) activities that address a safety risk. “Programs” refer to categories specifically authorized by the Commission. For PG&E, “programs” are designated as Maintenance Activity Types; for SCE, GRC Activities or Work Breakdown Structure groups; and for SDG&E and SoCalGas, Cost Centers.”

The item is appended to the first item and revised to read:

- “a. For PG&E, programs are defined at the Maintenance Activity Type (MAT) level or at the Major Work Category (MWC) level for those lines of business where MATs are not used.
- b. For SCE, expensed programs are defined at the GRC Activity level, and capital programs are defined at the Work Breakdown Structure (WBS) level.
- c. For SDG&E and SoCalGas, expensed programs are defined at the cost center level, and capital programs are defined at the budget code level.”

SDG&E/SoCalGas should sum the cost centers or budget codes within a single program to arrive at a program amount.

3) Inclusion of all lines of business in the Risk Spending Accountability Report

Staff reminds parties that programs should not be limited to electric or gas operations and should include those other activities within the utility (such as Information Technology, Customer Service, Corporate Services, etc.) that may address safety or reliability risks. This is consistent with the third item of the May 22 revised proposal, which reads:

“The program spending should be separated into categories consistent with the organization of the company. One list of categories could be: distribution and non-FERC transmission, generation, public purpose programs, and other.”

Staff modifies the third item to clarify its intent and to add examples of specific lines of business for each utility. The revised item reads:

⁸ *Ibid*, No. 28(5) at A-16 – A-17

“The IOUs should group programs by the general lines of business within the utility’s organization such as by the categories below:

- a. PG&E: Gas Distribution, Gas Transmission, Gas Storage, Electric Distribution, Nuclear Generation, Power Generation, and Other (which includes Customer Care, Information Technology, Human Resources, etc.)
- b. SCE: Distribution, Power Supply, and Other (which includes Customer Service, Information Technology, Human Resources, Operational Services, etc.)
- c. SDG&E and SoCalGas: Gas Distribution, Gas Transmission, Electric Distribution, Electric Generation, and Other (which includes Customer Services, Information Technology, Human Resources and other services)”

This guidance is now identified as Item 2 in the revised staff proposal.

4) Inclusion of maintenance activities in the Risk Spending Accountability Report

Staff proposes for utilities to include maintenance programs in their annual Risk Spending Accountability Report in preparation for any Commission order issued pursuant to Public Utilities Code Section 591. Beginning with the reports for reporting period 2018, and for years prior as recommended in this guidance, utilities would report and explain the variance between actual and authorized spending on maintenance programs, in addition to reporting on safety and reliability programs.

Staff believes that this change to the reporting framework allows the utilities to report on instances when “capital or expense revenue authorized by the commission for maintenance, safety, or reliability was redirected by the electrical or gas corporation to other purposes.” Staff requests the utilities follow this framework in the absence of a Commission order directing otherwise.

The first item in the revised staff proposal would be modified, in part, to read:

“The IOUs should develop a list of programs that include utility activities relating to safety, reliability, or maintenance.”

5) Determining the selection criteria of the spending variance

Several parties commented on the proposed selection criteria in Item 7 that determine whether a spending variance for a program should be accompanied

by a detailed explanation. The criteria were based on prior reports prepared by staff and the relative size of the utilities.

Several alternatives were suggested such as reducing the percentage threshold from 100% to 30%,⁹ setting those for PG&E, SCE and SDG&E Electric the same and setting SDG&E Gas and SoCalGas the same,¹⁰ and not changing PG&E's current practice.¹¹

Staff believes inclusion of the requirements of Public Utilities Code 591 in the Risk Spending Accountability Report prohibits limiting the explanation of spending variances such that each program should be accompanied by an explanation of the spending variance. Therefore, staff recommends eliminating the selection criteria from the Risk Spending Accountability Report. However, staff is open to discussing this topic at the workshop.

Depending on the discussion at the workshop, staff would eliminate the seventh item from the May 22 revised proposal and modify the newly revised sixth item to read:

“For each program, the IOUs should provide a detailed explanation of why the spending variance occurred.”

6) The use of budgeted and imputed amounts

Parties commented that the use of budgeted and imputed amounts satisfy the requirement for reporting authorized quantities. Staff will set this as a workshop topic and will request the utilities to explain how this practice is appropriate. This topic will also include a discussion of determining post-test year authorized amounts.

7) The inclusion of “indirect” charges such as allocations for taxes

⁹ TURN Opening Comments at 2-3

¹⁰ SDG&E/SoCalGas Opening Comments at 5

¹¹ PG&E Opening Comments at 1-2

SDG&E/SoCalGas commented that such charges may be necessary for programs dependent on post-test year or balancing account mechanisms.¹² Staff is open to having a discussion of this item in the workshop. Staff notes that the reports are intended to exclude charges not directly related to safety, reliability or maintenance activities. Programs with activities subject to balancing or memorandum accounts should report the adjustment to the authorized spending due to the direct costs recorded in those accounts.

8) Small and multi-jurisdictional utilities

The revised proposal requires PacifiCorp, Bear Valley, Liberty, and Southwest Gas to follow similar guidance. It is intended that the “programs” will be defined by the workpapers in the utility’s GRC and the details will be addressed within the GRC between the parties and the ED. Staff includes a new item in the revised proposal that reads:

“The small and multi-jurisdictional utilities should follow the above procedure using the level of detail presented in their GRCs unless otherwise directed by Commission staff.”

This guidance is now identified as Item 9 in the revised staff proposal. Attachment B provides general guidance for these utilities on the Risk Spending Accountability Report.

9) Interim reports and Publication

The Commission requires the larger utilities to file a formal Risk Spending Accountability Report in the year following the test year of the utility’s first GRC subject to a Risk Assessment and Mitigation Phase proceeding.¹³ The Commission has ordered some level of accountability reporting in past GRC decisions issued since the Commission revised the rate case plan in 2014.¹⁴

¹² SDG&E/SoCalGas Opening Comments at 2

¹³ See D.14-12-025, Ordering Paragraph 3 and D.16-08-018 at 159;

¹⁴ See the SDG&E/SoCalGas 2016 GRC decision (D.16-06-054) and the PG&E 2017 GRC decision (D.17-05-013).

Commission staff has also prepared accountability reports for PG&E and SCE as part of the Commission's Safety Action Plan.

The larger utilities will file their formal Risk Spending Accountability Reports annually beginning with the following dates: SoCalGas by July 31, 2020; SDG&E by September 30, 2020; PG&E by March 31, 2021; and SCE by May 31, 2022.

The SMJUs are required to "transition to including a risk-based decision-making framework" into their GRC application filings beginning on December 4, 2017. Although Bear Valley followed this direction in their 2018 GRC application that was filed in May 2017, their first formal Risk Spending Accountability Report would not be filed until after this GRC cycle. The GRC applications of PacifiCorp and Liberty for a 2019 test year, and SW Gas for a 2021 test year, would be subject to the requirements of D.14-12-025.¹⁵ The interim reports for these utilities would begin with reporting period 2018. Staff requests these utilities to begin filing annual reports by June 30.

If adopted by the Commission in this proceeding, the proposed direction in this revised proposal would apply to the Risk Spending Accountability Reports that will begin to be filed in 2020. However, staff recommends that this reporting guidance be implemented on an interim basis for reporting periods beginning with 2016. Staff requests SoCalGas, SDG&E and SCE to file reports from previous reporting periods to maintain a continuous set of reports.¹⁶ Beginning in 2019, the utilities would follow the filing dates consistent with the schedule adopted in D.14-12-025. The large utilities that have not submitted an annual report for 2016 or 2017 will receive a letter from the Energy Division Director with interim guidance for those reports.

Staff expects the reports to be filed by the utilities according to the schedule shown in the table below. The table includes the existing reporting schedule required by various Commission decisions and proposes additional reporting deadlines and response dates for interim reports.

¹⁵ D.14-12-025, Ordering Paragraph 4.

¹⁶ SoCalGas and SDG&E filed 2014-15 and 2016 reports on June 30 and October 6, 2017. Staff last prepared a report for SCE for the 2015 reporting period.

Safety Model Assessment Proceedings (A.15-05-002, et al.)

Utility	Reporting Period	Utility Report Due	Response Due	Order	Report Type
PG&E	2014	Mar 31, 2015 ¹	Mar 1, 2016 ²	¹ D.14-08-032 ² Safety Action Plan	Interim
SCE	2014	N/A	N/A	N/A	Interim
SoCalGas	2014	July 1, 2017	N/A	D.16-06-054	Interim
SDG&E	2014	July 1, 2017	N/A	D.16-06-054	Interim
PG&E	2015	Mar 31, 2016 ¹	Mar 1, 2016 ²	¹ D.14-08-032 ² Safety Action Plan	Interim
SCE	2015	N/A	Mar 1, 2017	Safety Action Plan	Interim
SoCalGas	2015	July 1, 2017	N/A	D.16-06-054	Interim
SDG&E	2015	July 1, 2017	N/A	D.16-06-054	Interim
PG&E	2016	Mar 31, 2017	N/A	D.14-08-032	Interim
SCE	2016	Dec 31, 2018*	Apr 30, 2019	N/A	Interim
SoCalGas	2016	July 1, 2018	N/A	D.16-06-054	Interim
SDG&E	2016	July 1, 2018	N/A	D.16-06-054	Interim
PG&E	2017	Mar 31, 2018	N/A	D.17-05-013	Interim
SCE	2017	Dec 31, 2018*	Apr 30, 2019	N/A	Interim
SoCalGas	2017	Dec 31, 2018*	Apr 30, 2019	N/A	Interim
SDG&E	2017	Dec 31, 2018*	Apr 30, 2019	N/A	Interim
PG&E	2018	Mar 31, 2019	July 31, 2019	D.17-05-013	Interim
SCE	2018	May 31, 2019*	Sept 30, 2019	N/A	Interim
Bear Valley, PacifiCorp, Liberty, and SW Gas	2018	June 30, 2019*	Oct 31, 2019	N/A	Interim
SoCalGas	2018	July 31, 2019*	Nov 30, 2019	N/A	Interim
SDG&E	2018	Sept 30, 2019*	Jan 31, 2020	N/A	Interim
PG&E	2019	Mar 31, 2020	July 31, 2020	D.17-05-013	Interim
SCE	2019	May 31, 2020*	Sept 30, 2020	N/A	Interim
Bear Valley and SW Gas	2019	June 30, 2020*	Oct 31, 2020	N/A	Interim
Pacificorp and Liberty	2019	June 30, 2020	Oct 31, 2020	D.14-12-025	Formal
SoCalGas	2019	July 31, 2020	Nov 30, 2020	D.14-12-025	Formal
SDG&E	2019	Sept 30, 2020	Jan 31, 2021	D.14-12-025	Formal
PG&E	2020	Mar 31, 2021	July 31, 2021	D.14-12-025	Formal
SCE	2020	May 31, 2021*	Sept 30, 2021	N/A	Interim
Bear Valley and SW Gas	2020	June 30, 2021*	Oct 31, 2021	N/A	Interim
Pacificorp and Liberty	2020	June 30, 2021	Oct 31, 2021	D.14-12-025	Formal
SoCalGas	2020	July 31, 2021	Nov 30, 2021	D.14-12-025	Formal
SDG&E	2020	Sept 30, 2021	Jan 31, 2022	D.14-12-025	Formal
PG&E	2021	Mar 31, 2022	July 31, 2022	D.14-12-025	Formal
SCE	2021	May 31, 2022	Sept 30, 2022	D.14-12-025	Formal
Bear Valley	2021	June 30, 2022*	Oct 31, 2022	N/A	Interim
Pacificorp, Liberty, and SW Gas	2021	June 30, 2022	Oct 31, 2022	D.14-12-025	Formal
SoCalGas	2021	July 31, 2021	Nov 30, 2022	D.14-12-025	Formal
SDG&E	2021	Sept 30, 2021	Jan 31, 2023	D.14-12-025	Formal

*Indicates a new staff proposed reporting deadline.

Note: The table continues for reporting period 2022 and beyond.

The utilities should file and serve the formal Risk Spending Accountability Reports in the GRC application in which spending for the reporting period was authorized. The staff reports will be filed in the same proceeding. Staff is open to allowing interveners to informally serve comments within 30 days of the filing of the utility's report. Staff requests that the requirements of the formal reports apply similarly to future interim reports, comments, and staff responses with the exception that where an applicable proceeding is closed, the subsequent GRC application would serve as the vehicle for publication. The table below shows the proceeding in which the interim reports would be filed and served for each utility

Utility	Reporting Period	Proceeding	Note
<i>SoCalGas</i>	2017-18	2016 RAMP/2019 GRC	The 2016 GRC proceeding is closed.
<i>SDG&E</i>	2017-18	2016 RAMP/2019 GRC	The 2016 GRC proceeding is closed.
<i>PG&E</i>	2018-19	2017 GRC	--
<i>SCE</i>	2016-20	2018 GRC	--

The SMJUs would file the reporting period 2018 interim report in their GRC that is open at the time the report is due. The reports and responses will be posted on the Commission's website.

Example of Implementation Using SoCalGas

To show this new arrangement, the remainder of this guidance will illustrate the process for SoCalGas through the first formal Risk Spending Accountability Report.

SoCalGas will receive a letter from the Energy Division Director that provides a review of their 2014-15 and 2016 spending accountability reports. The letter will also request a report for the 2017 reporting period due by December 31, 2018. The letter will contain the requirements of the report discussed in the "Reporting Guidance and Template" section of Attachment A. Staff and SoCalGas may engage in conversations to clarify the reporting requirements. SoCalGas would file and serve the report on the service list of the 2019 GRC. Intervenors would have 30 days to serve comments. Staff will plan to respond by April 30, 2019 and will file its response in the 2019 GRC. Staff will post the utility's report and the

staff response on the Commission's website. This process will continue for the 2018 reporting period with the exception that the schedule is shifted to accommodate a SoCalGas report by July 31 and a SDG&E report by September 30.

Beginning in 2020, staff may host a set of workshops to merge the current reporting framework with any developments within the current or future SMAP for the formal Risk Spending Accountability Report required by D.14-12-025. If the process at the time is unchanged, SoCalGas will file its first formal Risk Spending Accountability Report by July 31, intervenors would comment by August 31, and staff will respond by November 30.

Please contact Michael Zelazo of the Electric Costs Section at michael.zelazo@cpuc.ca.gov or (916) 327-6797 or Kevin Flaherty of the Natural Gas Section at kevin.flaherty@cpuc.ca.gov or (415) 703-3842 with any questions.

ATTACHMENT A

Energy Division Revised Staff Proposal for Standardized Reporting and Outline

The Energy Division (ED) submits the following “Revised Staff Proposal for Standardized Reporting and Outline” (Revised Proposal) in order to provide guidance to the investor-owned electric and gas utilities (IOUs) to comply with new annual reporting requirements. By doing so, it provides direction to the utilities on the content and format of the formal Risk Spending Accountability Report required by Commission Decision (D.) 14-12-025.

On February 22, 2018, the ED presented its “Staff Proposal for Standardized Reporting and Outline” (Initial Proposal) at the Workshop on Accountability Reporting and Risk Assessment Approach for Smaller Utilities (Workshop) in the Safety Model Assessment Proceeding (SMAP), in compliance with the ALJ Ruling of October 5, 2017. The Initial Proposal was revised and submitted to parties of the SMAP for comment in the ALJ Ruling of May 22, 2018. In response to comments as well as to developments in the SMAP, recent legislation, and the need to ensure inclusion of the small and multi-jurisdictional utilities, new guidance is provided in this Revised Proposal and submitted to the utilities for consideration.

The Revised Proposal modifies the Initial Proposal in response to comments and to better match the settlement agreement proposed by the parties in the SMAP. The Revised Proposal expands the reporting requirements to include activities relating to reliability as well as safety. In addition, the Revised Proposal includes a proposal for small and multi-jurisdictional utilities in meeting the new reporting requirements.

The Revised Proposal will help guide the utilities through the new reporting framework in preparation for filing the formal Risk Spending Accountability Reports required by D.14-12-025.¹⁷ The Commission wrote that the reports will “assist in the goal of improving utility accountability for the ratepayer money spent on risk mitigation efforts...”¹⁸ and would “compare the utility’s GRC projected spending for approved mitigation projects to the actual spending on those projects, and to explain any discrepancies between the two.”¹⁹

¹⁷ SoCalGas is scheduled to submit the first Risk Spending Accountability Report by July 31, 2020.

¹⁸ Refined Straw Proposal at 9 as excerpted in D.14-12-025 at 43.

¹⁹ D.14-12-025 at 44.

Reporting Guidance and Template

Staff offers the following direction for all IOUs in preparing the annual Risk Spending Accountability Reports. A template that may be used as a starting point for structuring the tables in the report is appended.

- 1) The IOUs should develop a list of programs that include utility activities relating to safety or reliability. A program is defined as a set of projects, activities, and/or functions with a defined scope that is intended to meet a specific objective or outcome.
 - a. For PG&E, programs are defined at the Maintenance Activity Type (MAT) level or at the Major Work Category (MWC) level for those lines of business where MATs are not used.
 - b. For SCE, expensed programs are defined at the GRC Activity level, and capital programs are defined at the Work Breakdown Structure (WBS) level.
 - c. For SDG&E and SoCalGas, expensed programs are defined at the cost center level, and capital programs are defined at the budget code level.
- 2) The IOUs should group programs by the general lines of business within the utility's organization such as by the categories below:
 - a. PG&E: Gas Distribution, Gas Transmission, Gas Storage, Electric Distribution, Nuclear Generation, Power Generation, and Other (which includes Customer Care, Information Technology, Human Resources, etc.)
 - b. SCE: Distribution, Power Supply, and Other (which includes Customer Service, Information Technology, Human Resources, Operational Services, etc.)
 - c. SDG&E and SoCalGas: Gas Distribution, Gas Transmission, Electric Distribution, Electric Generation, and Other (which includes Customer Services, Information Technology, Human Resources and other services)"
- 3) The IOUs should group capital and expensed programs separately. Items within a program include, for example, direct capital expenditures but exclude items such as corporate overheads and other adjustments.
- 4) For each program, the IOUs should report the authorized and actual spending and calculate the difference from authorized in dollars and in percent.
- 5) The IOUs should select for discussion those programs whose variances exceed certain pre-established absolute dollar and/or proportional dollar threshold values. The criteria should be specific to each utility. Proposed criteria are as follows:
 - a. SCE and PG&E – Electric
 - i. GRC expensed items: A variance of at least \$10 million, or a percentage variance of at least 50% subject to a minimum variance of \$5 million.
 - ii. Capital programs: A variance of at least \$20 million, or a percentage variance of at least 100% subject to a minimum variance of \$10 million.
 - b. SDG&E - Electric
 - i. GRC expensed items: A variance of at least \$3 million, or a percentage variance of at least 50% subject to a minimum variance of \$1 million.

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- ii. Capital programs: A variance of at least \$6 million, or a percentage variance of at least 100% subject to a minimum variance of \$2 million.
- c. PG&E - Gas
 - i. GRC expensed items: A variance of at least \$5 million, or a percentage variance of at least 50% subject to a minimum variance of \$1 million.
 - ii. Capital programs: A variance of at least \$10 million, or a percentage variance of at least 100% subject to a minimum variance of \$2 million
- d. SDG&E - Gas
 - i. GRC expensed items: A variance of at least \$0.5 million, or a percentage variance of at least 50% subject to a minimum variance of \$0.1 million.
 - ii. Capital programs: A variance of at least \$1 million, or a percentage variance of at least 100% subject to a minimum variance of \$0.2 million.
- e. SoCalGas
 - i. GRC expensed items: A variance of at least \$5 million, or a percentage variance of at least 50% subject to a minimum variance of \$1 million.
 - ii. Capital programs: A variance of at least \$10 million, or a percentage variance of at least 100% subject to a minimum variance of \$2 million.
- 6) For each program selected, the IOUs should provide a detailed explanation of why the spending variance occurred.
- 7) The IOUs should provide a comparison, in percent and in dollars, of the spending for programs shown in the Risk Spending Accountability Report to the total authorized and actual spending for expensed and capital programs under CPUC jurisdiction.
- 8) The IOUs should identify the programs subject to a balancing or memorandum account and the effect the account has on the authorized spending.
- 9) The small and multi-jurisdictional utilities should follow the above procedure using the level of detail presented in their GRCs unless otherwise directed by Commission staff.

Safety Model Assessment Proceedings (A.15-05-002, et al.)

The ED offers the following template to guide the IOUs in preparing the information requested above in their annual spending reports.

Sample Reporting Template

PG&E - Gas Distribution – Capital

Program	Program Description	Authorized (\$000)	Actual (\$000)	Change (\$000)	Change (%)	Explanation
Improve Reliability/System Dependencies - Gas Main (ex. MAT 50A)		150,000	200,000	50,000	33.3%	

SCE - Electric Distribution – Expense

Program	Program Description	Authorized (\$000)	Actual (\$000)	Change (\$000)	Change (%)	Explanation
Inspection of Distribution Overhead System (ex. GRC Activity 583.120)		200,000	150,000	-50,000	-25.0%	

SDG&E - Other – Expense

Program	Program Description	Authorized (\$000)	Actual (\$000)	Change (\$000)	Change (%)	Explanation
Customer Service-Field - Operations		15,000	11,000	-4,000	-26.7%	
Environmental Field Operations		5,000	4000	-1,000	-20.0%	

SoCalGas - Other – Capital

Program	Program Description	Authorized (\$000)	Actual (\$000)	Change (\$000)	Change (%)	Explanation
SCADA Infrastructure Modernization		2,000	3,000	1,000	50.0%	

ATTACHMENT B

General Guidance for the Small and Multi-Jurisdictional Utilities
on the Risk Spending Accountability Report

The Energy Division provides general guidance for the small and multi-jurisdictional utilities in their preparation of the annual Risk Spending Accountability Report required by Commission Decision 14-12-025.²⁰ The utilities are invited to attend a workshop on September 4, 2018 to discuss this guidance along with the larger utilities. This guidance is subject to change and is offered for discussion purposes only.

- The report will compare actual spending to authorized spending for programs that address safety or reliability risks within the utility's electric system under CPUC jurisdiction or with the natural gas transmission or distribution pipeline system or storage facilities. The utilities should explain why the variance occurred.
- The Energy Division requests the utilities to comply with Public Utilities Code Section 591 by including programs with maintenance activities in the Risk Spending Accountability Report. The utilities may identify the programs that fall into this category.
- For each program, the utilities should report the authorized and actual spending and calculate the difference from authorized in dollars and percent. The utilities should compare the total authorized and actual spending for all expensed and capital programs to the spending on the programs included in the report.
- The utilities may identify programs at the FERC account level depending on the presentation in the GRC. One example of a program could be Maintenance of Overhead Lines (FERC 593). For non-major electric utilities, a program could be Maintenance of Lines (FERC 594.1).
- The programs may include CPUC-jurisdictional transmission, distribution, generation, or other and can follow the contents of the GRC application. Capital programs and expensed programs should be grouped separately. Items within a capital program should include direct capital expenditures and exclude allocations for retirements, cost of financing and other adjustments.
- The utilities should identify the programs subject to a balancing or memorandum account and the effect the account has on the authorized spending.

²⁰ D.14-12-025, Ordering Paragraph 4. Interim reports would be filed and served for periods not subject to the risk-based decision-making framework.

The Energy Division requests the utilities to file their first report by June 30, 2019 for the 2018 record year and annually thereafter. The utilities should receive a letter after the workshop from the Energy Division Director with specific instructions for the report. The report and the Energy Division's response will be posted on the Commission's website.

Parties to proceeding A.15-05-002, et al. (SMAP),

The Energy Division will be holding a workshop on the Risk Spending Accountability Report for the electric and gas utilities on September 4, 2018 from 10:00 a.m. – 4:00 p.m. in the Commission Auditorium. The workshop is in response to parties’ comments on the Revised Staff Proposal for Standardized Reporting and Outline requested by the ALJ Ruling of May 22, 2018 that entered the proposal into the record.

September 4, 2018

10:00 a.m. – 4:00 p.m.

California Public Utilities Commission – Auditorium

505 Van Ness Avenue.(Corner of Van Ness Ave and McAllister St.)

San Francisco, CA 94102

SMAP Phase 2 - Workshop on the Outline for the Risk Spending Accountability Report

Tuesday, September 4, 2018

10:00 am | Pacific Daylight Time (San Francisco, GMT-07:00) | 6 hrs

<https://centurylinkconferencing.webex.com/centurylinkcc/j.php?MTID=m4bd13d61863f13aa13586c314ff6f056>

Meeting number: 715 290 693

Meeting password: !Energy1

Join by phone

Call-in: 866-619-9725

Participant Passcode: 4429664

SUMMARY

The Energy Division will present and discuss the comments submitted on the revised staff proposal served to parties on May 22, 2018 as well as other proposed changes. The workshop will include a discussion of compliance with Public Utilities Code Section 591(a). Please see the attached draft agenda for potential workshop topics.

Questions about this workshop may be directed to Michael Zelazo, Electric Costs, (916) 327-6797, michael.zelazo@cpuc.ca.gov or Kevin Flaherty, Natural Gas, (415) 703-3842, kevin.flaherty@cpuc.ca.gov.



California Public Utilities Commission

**A.15.05.002 et al., SMAP Phase 2,
Workshop on the Outline for the Risk Spending Accountability Report
Commission Auditorium, 505 Van Ness Avenue, San Francisco, CA 94102**

**Tuesday, September 4, 2018
10:00 a.m. – 4:00 p.m.**

The Commission's Energy Division will discuss the guidance and revised staff proposal for the standardized reporting and outline of the annual Risk Spending Accountability Report required by Commission Decision (D.) 14-12-025. The proposal provides direction to the electric and gas investor-owned utilities for the content and format of this report. Subsequent workshops may be held to address topics not covered in this workshop. Please see the workshop notice for information on remote access.

Please observe the following ground rules:

1. No electronics.
2. No side talking.
3. Stand up and identify yourself when speaking.

Time (a.m., p.m.)	Topic	Outcome	Action Item
10:00 – 10:45	Introduction and Changes	Present	N/A
10:45 – 11:15	Topic #1 – 2: Scope of “Programs”	Present and Discuss	Note comments
11:15 – 11:45	Topic #3: All lines of business	Present and Discuss	Note comments
11:45 – 1:00	Lunch	N/A	N/A
1:00 – 1:30	Topic #4: PU Code 591 – Maintenance	Present and Discuss	Note comments
1:30 – 2:00	Topic #5: Selection Criteria	Present and Discuss	Note comments
2:00 – 2:30	Topic #6: Budgeted/Imputed	Present and	Note

Safety Model Assessment Proceedings (A.15-05-002, et al.)

	Amounts	Discuss	comments
2:30 – 3:00	Topic #7: Inclusion of “Indirect” Charges	Present and Discuss	Note comments
3:00 – 3:30	Topic #8: Small and multi-jurisdictional utilities	Present and Discuss	Note comments
3:30 – 4:00	Topic #9: Interim Reports and Publication	Present and Discuss	Note comments